

State of Colorado



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**Department of Personnel
& Administration**

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DATE: November 22, 2004

TO: Directly Affected Employees through Agency HR Administrators
American Federation of State, County, Municipal Employees
Colorado Association of Public Employees
Colorado Federation of Public Employees
Colorado State Patrol Protective Association

FROM: Karen Fassler, Total Compensation Manager

SUBJECT: **Official Notice of Proposed Change - JEL 05-02**

JEL 05-02 has been released. This proposal contains the changes to the commission award plan for the Lottery Sales Representative class series. Implementation will be July 1, 2005. There is no fiscal impact from this study. Please share this information with your appointing authorities, affected employees, budget officers, and any others in your department or institution.

Statute requires that directly affected employees and employee organizations be notified of proposed changes to the system prior to changes being finalized and implemented. By Personnel Director's Administrative Procedure P-2-3 and Personnel Board Rule R-1-7, notice to employees of these proposed changes shall be provided by appointing authorities. Agency human resource administrators are responsible for providing this information to their respective appointing authorities. **APPOINTING AUTHORITIES ARE RESPONSIBLE FOR DISTRIBUTING THIS INFORMATION TO DIRECTLY AFFECTED EMPLOYEES BEFORE THE DEADLINE SPECIFIED BELOW.**

No class description is final until approved for implementation by the state personnel director. Employees should contact their agency human resource offices for further information. Information is also available on the web at www.colorado.gov/dpa.

The following public meeting is scheduled to fulfill the department's "meet and confer" obligation.

December 10, 2004, at 1:30 p.m.
Office of the Colorado Lottery
720 S. Colorado Blvd., Suite 110 (The Galleria Building)
Denver, CO 80246

All meet and confer activities must be concluded by **December 30, 2004**, in order to be considered before the study is finalized and implemented. For additional information, please contact Travis Engelhardt at 303-866-4252. Written comments may be faxed to 303-866-2458, emailed to Travis.Engelhardt@state.co.us, or mailed to the following address by December 30, 2004.

ATTN: Travis Engelhardt
Department of Personnel & Administration
1313 Sherman St., Room 122
Denver, CO 80203

SUMMARY OF SYSTEM CHANGES

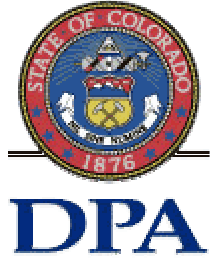
JE Letter #: 05-02
Date of Letter: 11/22/04

Total Compensation Systems

* P = proposed; F = final (only F is to be entered into EMPL and ADS)

P or F*	CD Changes			Current Class		New Class		Occ Grp		Grade		Pay Diff.		Effective Date
	New	Rev	Abol	Code	Title (limit 25 characters)	Code	Title (limit 25 characters)	From	To	From	To	From	To	
Study of salary structure and commission award plan only														
P		X		H6O1XX	Lottery Sales Rep I	H6O1XX	Lottery Sales Rep I	PS	PS	H26	H26	1	1	7/1/05
P		X		H6O2XX	Lottery Sales Rep II	H6O2XX	Lottery Sales Rep II	PS	PS	H31	H31	0	0	7/1/05
P		X		H6O3XX	Lottery Sales Rep III	H6O3XX	Lottery Sales Rep III	PS	PS	H37	H37	0	0	7/1/05

ISSUING AUTHORITY: Colorado Department of Personnel and Administration Rev. 1/02



SYSTEM MAINTENANCE STUDY

NARRATIVE REPORT -- PROPOSED CHANGES

LOTTERY SALES REPRESENTATIVE

Class Code H6O1XX through H6O3XX

Conducted Fiscal Year 2004-2005

BACKGROUND AND PURPOSE OF STUDY

This system-wide study is part of the state personnel director's statutory responsibility, C.R.S. 24-50-104(1)(b), for maintaining and revising the system of classes covering all positions in the state personnel system. Such maintenance may include the assignment of appropriate pay grades that reflect prevailing wage as mandated by C.R.S. 24-50-104(1)(a). The state personnel director has delegated authority for system studies to the Division of Human Resources (hereafter "the division").

In response to a recommendation in the November 2003 Performance Audit of the Colorado Lottery conducted by the Office of the State Auditor, the division agreed to conduct a system maintenance study to validate the salary structure and commission award program for the Colorado Lottery Sales Representative class series. The Colorado Lottery is allowed to pay sales based commission awards in accordance with its commission award plan, which is subject to annual approval prior to the beginning of each fiscal year.

METHODOLOGY

No conceptual class description problems have been identified so the division concluded this system maintenance study would be limited to a salary review. Because the study is an analysis of appropriate compensation, Position Description Questionnaires (PDQs) were not collected or evaluated as part of the process. Only the Department of Revenue, Colorado Lottery has positions in this class series. As of October 1, 2004, there was one filled position in the Lottery Sales Representative I class, 31 filled positions in the Lottery Sales Representative II class, and four filled

and one vacant position in the Lottery Sales Representative III class. The study was announced on the division's website in July 2004.

The Lottery Sales Representative III class was a survey match in the last annual compensation survey. Through this study it was determined that the current match was not comparable to the state class and the match was replaced with a more comparable market match to Lottery Sales Representative II. The salary analysis relied on information gathered through the annual compensation survey. The class is matched to a single source, a Mountain States Employers Council (MSEC) survey.

In order to assist in the analysis of the commission award program, a direct survey was conducted. Because the lottery sales occupation is unique to state government, the direct survey participants were other state government lottery organizations. This direct survey's main purpose was to provide specific compensation and commission award practice data from comparable lottery sales organizations.

ISSUES AND FINDINGS

Salary data was obtained from the MSEC Front Range Compensation survey. This survey provides market salary structure data and is used to set the pay grades for the Lottery Sales Representative class series through the annual compensation survey. The MSEC data suggests the state is approximately 4.76% above the market for the Lottery Sales Representative II class.

In addition, the division used another survey, the MSEC National Sales Compensation survey. This additional survey only reports average salary, not range structure, thus, can only be used as supplemental information. A comparison of the Colorado average market salary to the state's average salary in the Lottery Sales Representative II class indicates the state is approximately 3.81% behind the market. This comparison only includes regular salary data and does not factor in any commission award payments or practices.

Because Lottery Sales Representative II is a new match in the annual compensation survey (after changing benchmarks through this study) and the additional comparison of average salary is comparable with the annual compensation survey data, no changes are recommended to the Lottery Sales Representative II pay grade. No market data is available for the I and III levels of the class series; therefore, no change is recommended to the current internal relationships. The division will continue to monitor the annual market movement to ensure the salary structure is competitive with the market, as required by statute.

Commission award data for a comparable occupation is not available from the Colorado market so a direct survey was conducted in September 2004. The surveyed organizations were determined through an Internet search of existing state lottery organizations. Thirty-six were identified and sent the direct survey. A total of 14 states responded to the direct survey, with two indicating that a third party vendor handles all lottery functions. Of the 12 remaining states providing data, four (33.3%) currently pay a sales-based commission or bonus award in addition to regular salary, with an average award cap of 6.6% of salary. These 12 responding states represent a third of the total number of state government lottery organizations surveyed. Due to the low response rate, the division does not have

sufficient data to recommend whether commission awards for Colorado Lottery sales positions should be discontinued. However, it should be noted that only a small percentage (33%) of the responding states currently pay a commission award in addition to salary so this practice should be monitored periodically. The Colorado Lottery should be prepared to defend the continued use of its commission award practice as beneficial to the State with verifiable data or results determined through an evaluation process. The division will work with the Colorado Lottery, if requested, to ensure a valid evaluation process and measures are created and utilized.

A relationship analysis was completed using the data obtained from the direct survey. This type of analysis compares the difference, if any, in salary structure for two occupations. In this instance, Accountant II was used in comparison to the Lottery Sales Representative II. The accountant is a widely used occupation and most state governments have similar class concepts, which ensures the matches are valid. Market data is readily available on accountant occupations, which ensures the benchmark is externally equitable. Also, the Accountant II match in the Colorado labor market is a very solid match, with very reliable data and no large market fluctuations or activity. This ensures that the comparison is made against a very stable and reliable market benchmark occupation.

The midpoint of the pay range for the Lottery Sales Representative II is \$3,559. The midpoint of the Accountant II pay range is \$4,136.50. This is a relationship differential of 13.96%, which means that the Lottery Sales Representative II pay range is approximately 13.96% lower than the Accountant II. Of the responding state's (respondents), the average relationship differential for the same two occupations is 7.85%. Comparing the state's difference of 13.96% to the respondent's average difference of 7.85% suggests that the state's relationship between Lottery Sales Representative II and Accountant II is approximately 6.11% lower than other states' comparable lottery and accountant positions. However, after factoring in the average lottery sales commission award for 2004 (15.6%), the state is approximately 9.49% higher than the average of the other states. This figure was obtained by subtracting the 6.11% difference between Colorado and the respondents from the average Lottery Sales Representative commission of 15.6%.

It is proposed that the Lottery Sales Representative commission award cap be reduced by 10% for each internal Colorado Lottery award level. Currently, there is a separate commission award cap for each of the three internal levels. The Territory and Lead Territory Sales Managers annual commission award cap of \$8,000 would be \$7,200; the Retail Network Specialist, Corporate Account Specialist, and Regional Sales Manager commission award cap of \$9,600 would be \$8,640; and, the State Sales Manager commission award cap of \$12,500 would be \$11,250.

This proposal does not reduce any pay grade or actual base salary, and may not affect many actual commission awards paid. This proposal simply brings the total pay opportunity (base salary plus commission award) of Colorado Lottery sales positions to the prevailing market level of other state lotterys. It also should be noted that Lottery Sales Representatives are eligible to receive performance pay awards, in addition to commission awards. Because this proposed change is to the commission award cap only, and commission awards are not a part of regular salary, there is no fiscal impact to the state.

The division met with Colorado Lottery management to discuss the outcome of the direct survey, the study process, and potential impact on the commission award plan.

MEET AND CONFER

C.R.S. 24-50-104(1)(b) requires the division to meet and confer with affected employees and employee organizations, if requested, regarding the proposed changes before they are implemented as final. In this case, the recommendations affect the Colorado Lottery's commission award plan as opposed to classes and pay grades typically involved in system maintenance studies. The deadline by which all "meet and confer" activity must conclude in order to implement the recommendations in the commission award plan by July 1, 2005, is December 30, 2004. In an effort to proactively facilitate this process, a public meeting is scheduled for December 10, 2004, at 1:30 p.m. The meeting will be held at the Colorado Lottery, which is located at 720 S. Colorado Blvd., Suite 110 (The Galleria Building).

FISCAL IMPACT FOR IMPLEMENTATION YEAR

This study has no fiscal impact.

RECOMMENDATIONS

I. Occupational Group

No change is recommended. These classes remain in the Professional Services Occupational Group.

II. Class Description

No substantive changes. Only the date and class series history will be updated.

III. Class Conversion and/or Placement

There is no class conversion or placement.